

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF SANILAC	County SANILAC
Fiscal Year End MARCH 31, 2007	Opinion Date OCTOBER 31, 2007	Date Audit Report Submitted to State NOVEMBER 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

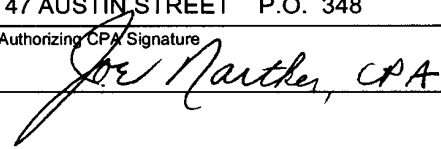
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRINING & NARTKER, P.C.		Telephone Number (810) 648-4931	
Street Address 47 AUSTIN STREET P.O. 348		City SANDUSKY	State MI
Zip 48471			
Authorizing CPA Signature 	Printed Name JOE NARTKER, CPA	License Number 11752	

**TOWNSHIP OF SANILAC
SANILAC COUNTY, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2007**

**BRINING & NARTKER, P.C.
Certified Public Accountants**

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BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Township of Sanilac
Sanilac County, Michigan

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Sanilac, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Sanilac, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Township of Sanilac, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Sanilac, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 22 through 24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Sanilac, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brining & Nartker, P.C.
BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 31, 2007

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF SANILAC
STATEMENT OF NET ASSETS
MARCH 31, 2007**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 367,850	\$ 313,247	\$ 681,097
Receivables:			
taxes	9,376	-	9,376
fire runs	6,087	-	6,087
state revenue sharing	21,791	-	21,791
Sanilac County	30,532	-	30,532
Due from other funds	-	10,522	10,522
Capital assets, net of accumulated depreciation	10,845	-	10,845
Special assessments	-	8,902,003	8,902,003
TOTAL ASSETS	<u>446,481</u>	<u>9,225,772</u>	<u>9,672,253</u>
LIABILITIES			
Deferred revenue	-	8,902,003	8,902,003
Due to other funds	10,522	-	10,522
TOTAL LIABILITIES	<u>10,522</u>	<u>8,902,003</u>	<u>8,912,525</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,845	-	10,845
Unrestricted	425,114	323,769	748,883
TOTAL NET ASSETS	<u>\$ 435,959</u>	<u>\$ 323,769</u>	<u>\$ 759,728</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SANILAC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 141,238	\$ -	\$ -	\$ (141,238)	\$ -	\$ (141,238)
Public safety	27,185	-	-	(27,185)	-	(27,185)
Public works	130,762	10,554	-	(120,208)	-	(120,208)
Recreation and culture	1,072	-	-	(1,072)	-	(1,072)
Total Governmental Activities	300,257	10,554	None	(289,703)		(289,703)
Business-type activities:						
Water	88,106	-	74,030	-	(14,076)	(14,076)
Total Government	\$ 388,363	\$ 10,554	\$ 74,030	(289,703)	(14,076)	(303,779)
General Revenues:						
Property taxes				122,778	-	122,778
State - shared revenues				132,723	-	132,723
Unrestricted investment earnings				8,601	119,091	127,692
Miscellaneous				17,160	-	17,160
Special assessments				-	337,997	337,997
Transfers				119,243	(119,243)	-
Total General Revenues and Transfers				400,505	337,845	738,350
Change in net assets				110,802	323,769	434,571
Net assets - Beginning				325,157	-	325,157
Net assets - Ending				\$ 435,959	\$ 323,769	\$ 759,728

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2007**

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 367,850
Receivables:	
taxes	9,376
fire runs	6,087
state shared revenues	21,791
Sanilac County	30,532
TOTAL ASSETS	<u><u>\$ 435,636</u></u>
LIABILITIES	
Due to other funds - water	\$ 10,522
TOTAL LIABILITIES	<u>10,522</u>
FUND BALANCE	
Unreserved	425,114
TOTAL FUND BALANCE	<u>425,114</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 435,636</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>GENERAL FUND</u>
REVENUES	
Taxes	\$ 122,778
Charges for services	10,554
Intergovernmental revenues	132,723
Interest	8,601
Other	17,160
TOTAL REVENUES	<u>291,816</u>
EXPENDITURES	
General government	140,179
Public safety	27,185
Public works	130,762
Recreation and culture	1,072
TOTAL EXPENDITURES	<u>299,198</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,382)</u>
OTHER FINANCING SOURCES:	
Transfers In	119,243
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>111,861</u>
FUND BALANCE - APRIL 1, 2006	313,253
FUND BALANCE - MARCH 31, 2007	<u><u>\$ 425,114</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MARCH 31, 2007**

	<u>WATER FUND</u>
ASSETS	
Cash and cash equivalents	\$ 313,247
Due from other funds	10,522
Special Assessments	8,902,003
TOTAL ASSETS	<u>9,225,772</u>
LIABILITIES	
Deferred revenue	8,902,003
TOTAL LIABILITIES	<u>8,902,003</u>
NET ASSETS	
Unrestricted	323,769
TOTAL NET ASSETS	<u><u>\$ 323,769</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>WATER FUND</u>
OPERATING REVENUES	
Charges for services	\$ -
TOTAL OPERATING REVENUES	<u>NONE</u>
OPERATING EXPENSES	
Water project	15,316
TOTAL OPERATING EXPENSES	<u>15,316</u>
OPERATING INCOME (LOSS)	<u>(15,316)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	119,091
Special assessments	337,997
State grant	74,030
Interest expense	(72,790)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>458,328</u>
INCOME BEFORE TRANSFERS (OUT)	<u>443,012</u>
TRANSFERS (OUT)	(119,243)
CHANGE IN NET ASSETS	<u>323,769</u>
TOTAL NET ASSETS - BEGINNING	NONE
TOTAL NET ASSETS - ENDING	<u><u>\$ 323,769</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>WATER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (15,316)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(15,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(119,243)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(119,243)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipt of state grant	74,030
Debt proceeds	560,000
Interest and fees paid on debt	(72,790)
Collection of special assessments	327,475
Principal paid on capital debt	(560,000)
NET CASH PROVIDED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>328,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	119,091
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>119,091</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>313,247</u>
BALANCES - BEGINNING OF THE YEAR	NONE
BALANCES - END OF THE YEAR	<u><u>\$ 313,247</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
STATEMENT OF NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED MARCH 31, 2007**

PROPERTY TAX
COLLECTION FUND

ASSETS

Cash and cash equivalents	\$ 17,240
TOTAL ASSETS	<u>\$ 17,240</u>

LIABILITIES

Refunds payable and others	\$ 17,240
TOTAL LIABILITIES	<u>\$ 17,240</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Sanilac conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township of Sanilac is located on the east edge of Sanilac County, Michigan at 20 N. Ridge Street, Port Sanilac, Michigan. The Township board consists of five elected officials; the supervisor, clerk, treasurer, and two trustees. Services provided to the residents by the Township are: fire protection, roads and streets, and general administrative services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Township is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions, there are no organizations that are deemed to be component units of the Township.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the Interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

(Continued)

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Government-Wide and Fund Financial Statements: (Continued)

Separate financial statements are provided for governmental funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are licenses and interest. Revenue charges for services, fines, and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The Agency Fund accounts for property tax and other deposits collected on behalf of other units.

(Continued)

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers or sales and services. Operating expenses for the water fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The delinquent real property taxes of the Township are purchased by the County of Sanilac. The County sells tax notes, the proceeds of which are used to pay the Township for these taxes. These taxes have been recorded as revenue for the current year. The 2006 tax roll millage rate was .6178 mills, and the taxable value was \$117,135,801.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Investments

Investments with an initial maturity of more than three months are reported as investments.

(Continued)

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide statement of net assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In accordance with the provisions of GASB 34, the Township has elected to capitalize the cost of governmental fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Equipment	5-10 years

Budgets

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Township does not utilize encumbrance accounting.

Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents.

TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The legal level of budgetary control adopted by the governing body is the department level.

In the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted at the line item level. During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

<u>BUDGET ITEM</u>	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
General Government:			
Supervisor & Deputy Supervisor:			
Salary	\$ 6,600	\$ 6,870	\$ (270)
Assessor:			
Salary	14,000	15,240	(1,240)
Clerk & Deputy Clerk:			
Salary	11,600	12,220	(620)
Trustees:			
Wages	2,275	2,460	(185)
Zoning:			
Administrator	3,000	3,068	(68)
Election:			
Wages	1,600	2,892	(1,292)
Board of Review:			
Tribunal refund	1,000	9,993	(8,993)
Administration:			
Legal and audit	10,000	24,102	(14,102)
Printing and publishing	3,500	3,592	(92)
Hall repairs	2,500	2,701	(201)
Dues	1,900	1,968	(68)
Utilities:			
Hall	4,800	5,228	(428)
Overhead	3,200	3,502	(302)

(Continued)

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:
(Continued)

<u>BUDGET ITEM</u>	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund: (Continued)			
General Government:			
Taxes - FICA	\$ 3,500	\$ 4,255	\$ (755)
Land split permits	350	400	(50)
Education	400	491	(91)
Miscellaneous	1,000	2,263	(1,263)
Public Works:			
Road maintenance	95,000	130,762	(35,762)
Recreation and Culture:			
Recreation Program	1,000	1,072	(72)

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91(Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

(Continued)

TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 367,850	\$ 313,247	\$ 17,240	\$ 698,337
Investments	-	-	-	-
Total	<u>\$ 367,850</u>	<u>\$ 313,247</u>	<u>\$ 17,240</u>	<u>\$ 698,337</u>

Custodial Credit Risk-Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the Township had \$855,603 of bank deposits (checking and money market), of which \$254,465 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. At year end, the Township had no investments.

NOTE 4 – RECEIVABLES:

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Taxes	\$ 9,376	\$ -	\$ 9,376
Fire runs	6,087	-	6,087
Intergovernmental			
Due within one year	52,323	-	52,323
Special assessments			
Due within one year	-	303,730	303,730
Due after one year	-	8,598,273	8,598,273
Total	<u>\$ 67,786</u>	<u>\$ 8,902,003</u>	<u>\$ 8,969,789</u>

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance March 31, 2007</u>
Capital Assets Not Being Depreciated				
Land	\$ 7,216	\$ -	\$ -	\$ 7,216
Total Capital Assets Not Being Depreciated	7,216	-	-	7,216
Capital Assets Being Depreciated				
Equipment	8,192	-	-	8,192
Less: Accumulated Depreciation				
Equipment	3,504	1,059	-	4,563
Total Capital Assets Being Depreciated - Net	4,688	(1,059)	-	3,629
Governmental Activity Capital Assets - Net	<u>\$ 11,904</u>	<u>\$ (1,059)</u>	<u>\$ None</u>	<u>\$ 10,845</u>

Depreciation expense was charged to programs of the Township as follows:

General Government	\$ 1,059
Total Program Depreciation Expense	<u>\$ 1,059</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/From Other Funds		
Water	General	<u>\$ 10,522</u>
Interfund Transfers		
Transfers In	Transfers (Out) <u>Water Fund</u>	
General Fund	<u>\$ 119,243</u>	

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. The Township does not provide employee health or life insurance coverage. The Township does provide workers compensation insurance coverage.

NOTE 8 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis	\$ 111,861
Total change in net assets reported for governmental activities in the statement of activities is difference because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	\$ (1,059)
Capital outlays reported in the governmental fund	<u>-</u>
Net Difference	<u>(1,059)</u>
Change in Net Assets of Governmental Activities - Full Accrual Basis	<u>\$ 110,802</u>
Total Fund Balance - Modified Accrual Basis	\$ 425,114
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. Capital assets at year end consist of:	
Capital asset cost	\$ 15,408
Capital asset accumulated depreciation	<u>(4,563)</u>
	<u>10,845</u>
Total Net Assets - Full Accrual Basis	<u>\$ 435,959</u>

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 9 – WATER SYSTEM PROJECT:

Effective March 1, 2006 and as amended in May of 2006, the Township of Sanilac and the County of Sanilac entered into a contract for the construction of a water system in the Township . The Project is known as the Sanilac County – Sanilac Township Water System Project and consists of:

- Approximately 4.5 miles of 16 inch water main along M-25 through Lexington Township to the Lexington/Sanilac Township border.
- 250,000 gallon water storage facility
- Water distribution system consisting of 12 inch water main along M-25 and an 8 inch main on side roads east of M-25 within Sanilac Township.

The Township shall pay to the County the cost of the project, estimated to be \$9,400,000. The cost of the Project will be defrayed by the issuance of bonds by the county administrator by the Michigan Municipal Bond Authority. The Township pledges its full faith and credit for the prompt and timely payment of its obligations. Sanilac Township has approved a water assessment district whereby the Township will collect an annual special assessment from the benefited properties in the district.

The County shall have legal title to the Project. After the retirement of the bonds, and after the Township's obligations are satisfied, the legal title to the Project shall be transferred to the Township.

The County will lease the improvements to the Township in consideration of the proper operation and maintenance of the Project. The Township will become liable under a capital lease when the project is completed. The lease term shall be one day longer than the term of the bonds. The bonds are projected to be paid off in 30 years.

As of March 31, 2007, the water system was in the process of being constructed but was not yet operational. As of March 31, 2007, \$6,660,942 of the estimated \$9,400,000 construction costs has been incurred. In July 2007, the Project became operational. A user charge is being billed monthly to the water customers to cover the cost of water purchased from the Village of Lexington and a service charge to cover the cost of meter readings, billing and operating the system.

**TOWNSHIP OF SANILAC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

NOTE 9 – WATER SYSTEM PROJECT: (Continued)

Interest accrues at the rate of 2.125% and is due April 1 and October 1 on the unpaid balance of the bonds. Principal is due annually on April 1, according to the following estimated schedule of debt service requirements to maturity, when the project is finalized:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 84,514	\$ 84,514
2009	310,000	175,956	485,956
2010	310,000	169,368	479,368
2011	310,000	162,781	472,781
2012	310,000	156,193	466,193
2013-2017	1,550,000	682,153	2,232,153
2018-2022	1,550,000	517,466	2,067,466
2023-2027	1,565,000	352,300	1,917,300
2028-2032	1,575,000	185,169	1,760,169
2033-2037	1,575,000	17,825	1,592,825
2038	315,000	(6,584)	308,416
	<u>\$ 9,370,000</u>	<u>\$ 2,497,141</u>	<u>\$ 11,867,141</u>

NOTE 10 – SPECIAL ASSESSMENTS RECEIVABLE:

The Township has levied special assessments for the financing of a water system within the Township. The special assessment receivable balance as of March 31, 2007 is as follows:

ENTERPRISE FUND:

Sanilac County – Sanilac Township Water System Project	<u><u>\$8,902,003</u></u>
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REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF SANILAC
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES:				
Taxes:				
Current taxes	\$ 62,000	\$ 62,000	\$ 63,595	\$ 1,595
Delinquent taxes	12,000	12,000	10,109	(1,891)
Trailer taxes	7,000	7,000	6,948	(52)
Administration fee	30,000	30,000	36,806	6,806
SET fee	-	-	5,320	5,320
Total Taxes	<u>111,000</u>	<u>111,000</u>	<u>122,778</u>	<u>11,778</u>
Charges for Services:				
Fire runs	18,000	18,000	8,800	(9,200)
Land division	350	350	450	100
Land use permits	1,500	1,500	1,304	(196)
Zoning appeals	350	350	-	(350)
Total Charges for Services	<u>20,200</u>	<u>20,200</u>	<u>10,554</u>	<u>(9,646)</u>
Intergovernmental State	<u>150,000</u>	<u>150,000</u>	<u>132,723</u>	<u>(17,277)</u>
Interest	<u>3,600</u>	<u>3,600</u>	<u>8,601</u>	<u>5,001</u>
Other Revenue:				
Metro authority	3,608	3,608	4,106	498
Miscellaneous	2,400	2,400	13,054	10,654
Total Other Revenue	<u>6,008</u>	<u>6,008</u>	<u>17,160</u>	<u>11,152</u>
Total Revenues	<u>290,808</u>	<u>290,808</u>	<u>291,816</u>	<u>1,008</u>
Other Financing Sources:				
Transfers in	10,000	10,000	119,243	109,243
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>300,808</u>	<u>300,808</u>	<u>411,059</u>	<u>110,251</u>

(Continued)

**TOWNSHIP OF SANILAC
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EXPENDITURES:				
General Government:				
Supervisor & Deputy Supervisor:				
Salary	\$ 6,600	\$ 6,600	\$ 6,870	\$ (270)
Assessor:				
Salary	14,000	14,000	15,240	(1,240)
Treasurer & Deputy Treasurer:				
Salary	10,600	15,000	13,713	1,287
Clerk & Deputy Clerk:				
Salary	11,600	11,600	12,220	(620)
Trustees:				
Wages	2,275	2,275	2,460	(185)
Zoning:				
Board wages	5,000	5,000	4,355	645
Administrator	3,000	3,000	3,068	(68)
Supplies	-	10	-	10
Elections:				
Wages	1,600	1,600	2,892	(1,292)
Supplies	400	400	345	55
Board of Appeals	500	500	360	140
Board of Review				
Wages	1,000	1,000	518	482
Tribunal refund	1,000	1,000	9,993	(8,993)
Administration:				
Supplies and postage	4,000	4,000	3,846	154
Travel	400	400	400	-
Cemetery	1,800	1,800	990	810
Legal and audit	10,000	10,000	24,102	(14,102)
Printing and publishing	3,500	3,500	3,592	(92)
Economic Development Council	2,000	2,000	-	2,000
Hall repairs	2,500	2,500	2,701	(201)
Insurance	9,300	9,300	9,204	96
Dues	1,900	1,900	1,968	(68)
Convention	2,000	2,000	823	1,177
Utilities:				
Hall	4,800	4,800	5,228	(428)
Overhead	3,200	3,200	3,502	(302)
Taxes - FICA	3,500	3,500	4,255	(755)

(Continued)

**TOWNSHIP OF SANILAC
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EXPENDITURES: Continued				
General Government: (Continued)				
Taxes - Trailer	\$ 6,900	\$ 6,900	\$ 3,765	\$ 3,135
Land use permits	1,500	1,500	495	1,005
Land split permits	350	350	400	(50)
Education	400	400	491	(91)
Capital outlay:				
Equipment	4,700	4,700	-	4,700
Building improvements	2,000	2,000	-	2,000
Land	30,000	30,000	-	30,000
Miscellaneous	1,000	1,000	2,263	(1,263)
Office equipment and repair	2,700	2,700	120	2,580
Total General Government	<u>156,025</u>	<u>160,435</u>	<u>140,179</u>	<u>20,256</u>
Public Safety:				
Fire runs	16,500	16,500	8,800	7,700
Fire truck payment	2,000	2,000	2,000	-
Fire retainer fee	21,000	21,000	16,385	4,615
Ambulance	35,000	35,000	-	35,000
Total Public Safety	<u>74,500</u>	<u>74,500</u>	<u>27,185</u>	<u>47,315</u>
Public Works:				
Road maintenance	95,000	95,000	130,762	(35,762)
Water study and costs	50,000	50,000	-	50,000
Total Public Works	<u>145,000</u>	<u>145,000</u>	<u>130,762</u>	<u>14,238</u>
Recreation and Culture:				
Recreation Program	1,000	1,000	1,072	(72)
TOTAL EXPENDITURES	<u>376,525</u>	<u>380,935</u>	<u>299,198</u>	<u>81,737</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75,717)</u>	<u>(80,127)</u>	<u>111,861</u>	<u>191,988</u>
FUND BALANCE - BEGINNING OF YEAR	313,253	313,253	313,253	-
FUND BALANCE - END OF YEAR	<u>\$ 237,536</u>	<u>\$ 233,126</u>	<u>\$ 425,114</u>	<u>\$ 191,988</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF SANILAC
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
<u>ASSETS</u>				
Cash	\$ 9,319	\$ 3,636,559	\$ 3,628,638	\$ 17,240
TOTAL ASSETS	<u>\$ 9,319</u>	<u>\$ 3,636,559</u>	<u>\$ 3,628,638</u>	<u>\$ 17,240</u>
<u>LIABILITIES</u>				
Due to general fund	\$ -	\$ 122,206	\$ 122,206	\$ -
Due to Sanilac District Library	-	59,078	59,078	-
Due to county	-	1,433,632	1,433,632	-
Due to village	-	2,401	2,401	-
Due to schools	-	1,319,851	1,319,851	-
Due to DDA	-	33,140	33,140	-
Due to ISD	-	286,945	286,945	-
Due to Sanilac Twp - Water	-	367,241	367,241	-
Refunds	9,319	12,065	4,144	17,240
TOTAL LIABILITIES	<u>\$ 9,319</u>	<u>\$ 3,636,559</u>	<u>\$ 3,628,638</u>	<u>\$ 17,240</u>

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

STEVEN J. WATSON, CPA
JOY A KERR, CPA
EDWARD J. MOORE, CPA

October 31, 2007

Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

Honorable Board Members
Township of Sanilac
Sanilac County, Michigan 48469

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Township of Sanilac, for the year ended March 31, 2007, and are submitted for your evaluation and consideration. We would like to emphasize that since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

Monthly Bank Reconciliation

During the audit year, the monthly financial statements were not balanced to the bank statements.

We recommend that the treasurer balance the bank accounts on a monthly basis.

Distribution of the Tax Collections

State law requires the distribution of the tax collection to the County treasurer and other tax assessing unit treasurers to be made within 10 days after the first and fifteenth of the month. The distribution should include all collections made up to that point.

Some of the distributions during the audit period exceeded the 10 day rule.

During discussion with the treasurer, he stated that he is aware of the rule and has a state printout with 2007 – 2008 due dates. He feels confident that he will make his distributions timely.

BUDGET

Public Act 621 of 1978, Section 18(1), as amended, provided that a local governmental unit shall not incur expenditures in excess of the amount appropriated. For the year ending March 31, 2007, actual expenditures exceeded budgeted amounts.

<u>BUDGET ITEM</u>	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
General Government:			
Supervisor & Deputy Supervisor:			
Salary	\$ 6,600	\$ 6,870	\$ (270)
Assessor:			
Salary	14,000	15,240	(1,240)
Clerk & Deputy Clerk:			
Salary	11,600	12,220	(620)
Trustees:			
Wages	2,275	2,460	(185)
Zoning:			
Administrator	3,000	3,068	(68)
Election:			
Wages	1,600	2,892	(1,292)
Board of Review:			
Tribunal refund	1,000	9,993	(8,993)
Administration:			
Legal and audit	10,000	24,102	(14,102)
Printing and publishing	3,500	3,592	(92)
Hall repairs	2,500	2,701	(201)
Dues	1,900	1,968	(68)
Utilities:			
Hall	4,800	5,228	(428)
Overhead	3,200	3,502	(302)
Taxes - FICA	3,500	4,255	(755)
Land split permits	350	400	(50)
Education	400	491	(91)
Miscellaneous	1,000	2,263	(1,263)
Public Works:			
Road maintenance	95,000	130,762	(35,762)
Recreation and Culture:			
Recreation Program	1,000	1,072	(72)

We recommend that the Board review the current year's budget to include all estimated revenues and expenditures for the current fiscal year.

Page 3
October 31, 2007
Township of Sanilac

The foregoing comments and recommendations are submitted to you for your consideration. The above recommendations are being made in an effort to improve the Township's system of recordkeeping and to aid the Township in conforming to State requirements. Our firm will assist in implementing any recommendations approved by the Board. We wish to take this opportunity to thank Shirley Sibilia and Art Schlichting, for their cooperation which we received throughout our examination.

Sincerely,

A handwritten signature in cursive script that reads "Brining & Nartker, P.C.".

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANT